

LAND BOARD AGENDA ITEM

December 20th, 2010

**FINAL APPROVAL FOR LAND BANKING ACQUISITION:
NORTH SWAN (Phase I)**

Seller: The Nature Conservancy (TNC)

Prospective Buyer: State of Montana, Department of Natural Resources and Conservation (DNRC)

Location: The property is located in Lake County, within the Swan River State Forest, approximately 12 miles south of Swan Lake and on the West Side of MT Highway 83.

Property Characteristics: These acres are primarily forested with scattered openings throughout. The forest productivity of these lands is rated as high to very high for Western Montana. Historically these lands have been in commercial timber production. This property will be encumbered with a conservation easement held by the Montana Department of Fish, Wildlife & Parks (FWP), and has an accompanying Multi Resource Management Plan, that allows for the continuation of timber management, which has been negotiated between FWP and DNRC.

Recreational Opportunities: The property has a long history of public recreational use for hunting, fishing, horseback riding, hiking and snowmobiling. The recreational use permitted by former owners will continue under State ownership, and allowed under the existing conservation easement.

Access: The tracts are accessible by State and private roads. Historically the property has been open to motorized and non-motorized public access. Purchase of this property would secure perpetual public access.

Appraised Value/Purchase Price: $\$750/\text{acre} \times 1,914.44 \text{ acres} = \$1,435,830.00$

Proposed Closing Date: December 21st, 2010

FINAL APPROVAL FOR LAND BANKING ACQUISITION NORTH SWAN (Phase I)

Background:

The proposed purchase is the first phase of acquiring approximately 16,544 acres of North Swan property, located south of Swan Lake on the east and west sides of MT Highway 83 in Lake County. This acquisition received preliminary approval by the Board of Land Commissioners (Board) in October 2010. Since then, the DNRC has engaged in evaluation of the property as per the Land Banking Rules at ARM 36.25.815. In November, TNC and DNRC entered into a Purchase and Sale Agreement (PSA) for approximately 1,914 acres, and an option to purchase the remaining 14,630 acres by December 31, 2013.

Public Involvement:

The North Swan property was nominated for state acquisition by The Nature Conservancy under the Land Banking process. Adjacent land owners, local, state and federal agencies and other interested parties were notified of the proposed Land Banking purchase. There was strong, positive response and support for this proposal.

Selection Considerations and Process:

DNRC secured a purchase agreement contingent upon findings of the due diligence as per Land Banking rule ARM 36.25.815. Many of the public comments received during the scoping process for the FWP's West Swan Valley Conservation Project Environmental Assessment favored DNRC's acquisition of this property.

The DNRC has conducted an in-depth evaluation of this tract for acquisition. A copy of the evaluation summary is attached. Following final approval by the Board, the DNRC will proceed to closing, and acquire the North Swan (phase 1) property for the appraised value of \$1,435,830.

Conservation Easement:

The conservation easement is held by MT FWP. The easement allows for the continuation of forest management activities and restricts development of the land for all other uses.

Agency Recommendation:

The Director recommends the Board's final approval for acquisition of the North Swan (Phase1) property.

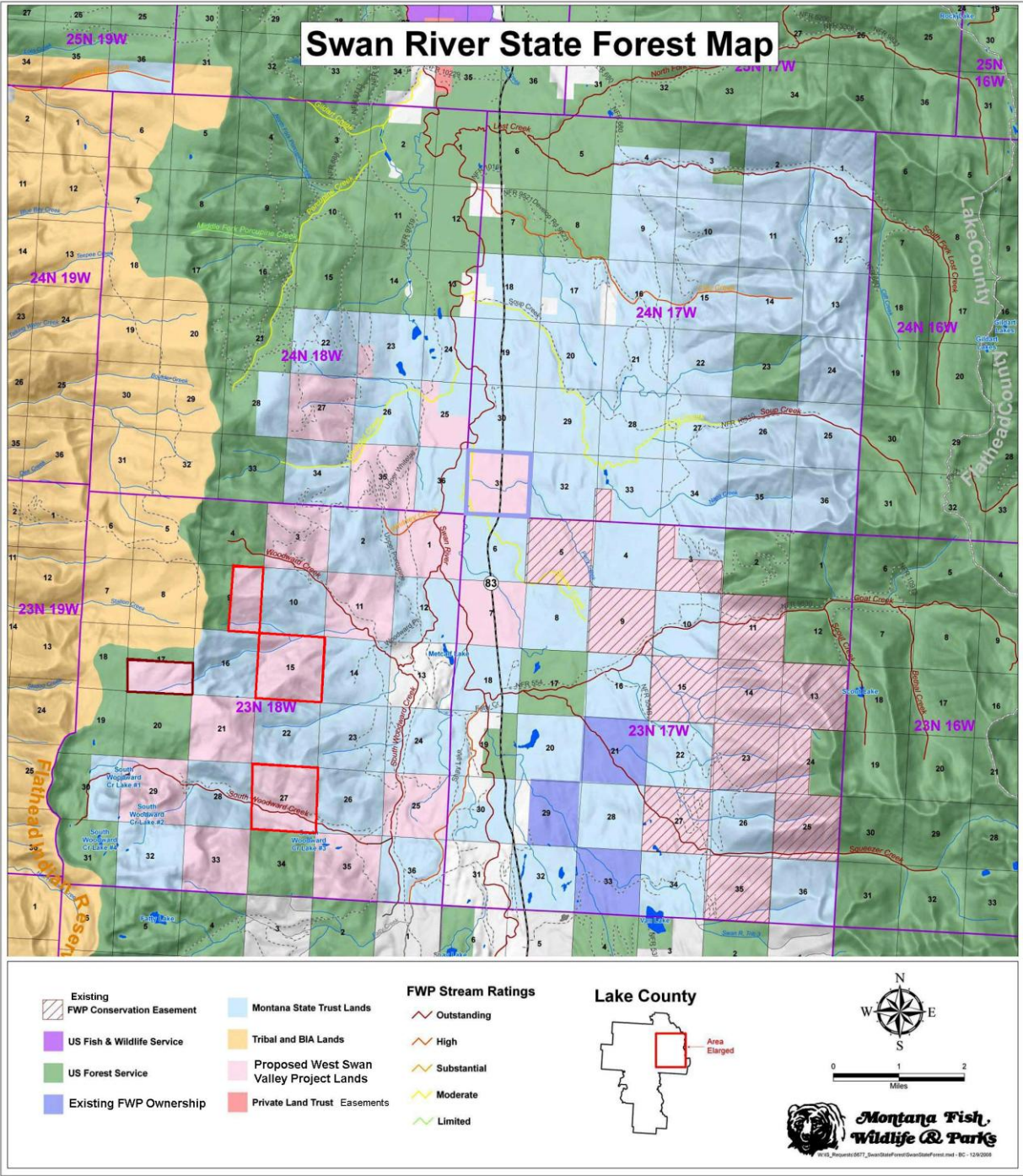
Due Diligence Property Evaluation Summary

ACQUISITION REPORT	EXPLANATION		
Seller’s Disclosure	No known material defects in the property		
Annual Rate of Return over 60 years	<u>TRUST</u> Common Schools U of M	<u>NPV</u> \$192,873 \$38,575	<u>ROR</u> .96% .96%
Average Annual Rate of Return of property sold	<u>TRUST</u> Common Schools U of M	<u>NPV</u> \$167,361 \$24,415	<u>ROR</u> .44% .32%
Annual Income	Projected \$13,784/year, over a 60 year accounting period		
Classification of property	Forest land		
Soils/Range	The North Swan parcel is a forested tract of land with good forest soils providing good to excellent forest productivity.		
Vegetation	The North Swan parcel is well stocked with regeneration, second growth and some merchantable timber with a species mix of ponderosa pine, Western larch, Douglas fir, and lodgepole pine. The riparian areas have aspen, cottonwood and scattered Engelmann Spruce. Native shrubs and grasses occur throughout the parcel.		
Range Condition	N/A		
Weeds	Weeds occurrence is similar to forested tracts throughout Western Montana. Plum Creek (previous owner) and The Nature Conservancy has been actively managing weeds along open road and areas of heavier concentration. Both chemical and biological control has been used with positive results.		
Timber Cruises	Approximately 90% of the property is forested with the remainder in grassland, wetlands and riparian areas. Much of the property was logged in the 1970’s, 80’s and 90’s, and was either planted or regenerated naturally. Some second growth stands are approaching merchantable size and will soon be available for commercial thinning. The existing composition is ponderosa pine, Western larch, Douglas fir, lodgepole pine and minor amounts of other conifers. Aspen and cottonwood stands are found around the wetland areas. It is estimated that the current merchantable volume is in excess of 7.80 MMBF. Productivity estimates indicate that the forested lands should grow at a rate of 185-290 BF per acre per year. The slope of the terrain varies with the majority suitable for tractor harvesting. The property is ideally suited for timber management.		

Water	The parcels have several stream drainages that provide fish habitat and fishing opportunities.
Water Rights	N/A
Wildlife (T&E)	The parcels provides wildlife habitat for many of Montana's major big game species, upland game birds, waterfowl and non-game species. It is occupied grizzly habitat and gray wolves are known to inhabit the area.
Fisheries	Native and introduced game fish occur in the streams on the property. Woodward Creek and South Woodward Creek are major spawning streams for Bull Trout and Cutthroat Trout.
Wetlands/Flood plain	These acres are primarily forested with a few scattered small wetlands throughout.
Riparian characteristics	Scattered riparian areas are found throughout the parcel. These features are in good condition and provide valuable wildlife habitat.
Cultural values	The property has no recorded cultural features.
Mineral characteristics	The acquisition of the N Swan (Phase 1) parcels does not include any mineral rights. All hard rock and gas and oil minerals are owned by third parties. In the lands surrounding the property, there has been no mineral exploration or mining activity.
Aesthetic Values	The property is located on the east facing slopes in the Swan River Valley. They are a small part of the scenic Swan – Seeley corridor.
Recreational Use	The tracts provide wildlife habitat for a wide variety of large and small game animals plus water and riparian areas for waterfowl. The property has a long history of public use permitted by previous forest industry Landowners and TNC. Local communities and sportsmen strongly support this acquisition.
Zoning	None
Planning	This property comes with a MT FWP conservation easement precluding future development on the 1,914 acres. The adjoining Swan River State Forest lands have no restrictions on future use.
Surrounding land use	Adjacent lands (Swan River State Forest and USFS) are used for forest management and recreational purposes.
Potential for multiple use	The primary use of the property would be timber production. The property is likely to get heavy recreational use during hunting season.
Access to parcel	All parcels being analyzed for acquisition will have road access for management of the individual parcels. The general public will have drive-in access on approximately 1 mile of open road and non-motorized access to all of the property. The acquisition of this property will consolidate state ownership of several surrounding state parcels and

	will reduce the checkerboard land ownership pattern within the Swan River State Forest area.												
Infrastructure	All of the N Swan (Phase1) acquisition lands are rural forestlands. All of the parcels have existing roads for the management of the forests and no other infrastructure exists within this property.												
Adjacent public lands	The N Swan (Phase 1) parcel is adjacent to USFS public lands on the west and the south. The N Swan (Phase1) parcels share five miles of boundary with the Flathead National Forest, and over 9 miles of boundary with existing State lands.												
Adjacent conservation easements	Of the N Swan (Phase1) parcels, all 1,914 acres have a conservation easement on it held by the MT Department of Fish, Wildlife, & Parks. The conservation easement allows for the traditional uses of the land, forest management and recreation, but restricts future subdivision or the building of any structures and places restrictions on grazing. Adjacent State Lands have no conservation easement on them.												
Appraised Value	\$1,435,830												
Purchase Price	<table><tr><td>TRUST</td><td>Purchase Price</td><td>Acres</td></tr><tr><td>Common Schools</td><td>\$1,195,830</td><td>1,594</td></tr><tr><td>U of M</td><td><u>\$240,000</u></td><td><u>320</u></td></tr><tr><td>TOTALS</td><td>\$1,435,830</td><td>1,914</td></tr></table>	TRUST	Purchase Price	Acres	Common Schools	\$1,195,830	1,594	U of M	<u>\$240,000</u>	<u>320</u>	TOTALS	\$1,435,830	1,914
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Summary of Title report	No encumbrances that would negatively impact the value of the acquisition.												
Summary Phase 1 site analysis	No cultural impacts other than logging were observed in the area.												
Notification to Commissioners and adjacent land owners	The Lake County Commissioners and adjacent land owners (USFS) are aware of this proposed acquisition and no opposition has been noted.												
Comments received during public involvement process	Public comments have been positive because of the importance of this area for public use and wildlife habitat. The public has supported the continued traditional uses of this property.												

North Swan Acquisition Map



Parcels acquired by Common Schools Trust —

Parcels acquired by University of Montana Trust —